

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 026141

21

ORIGIN EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 DODE-00 PM-03 H-01 L-02 PA-01 PRS-01 USIA-06

/086 R

DRAFTED BY EUR/NE:JJCROWLEY:BAL

APPROVED BY EUR/NE:WABUELL

EB/IFD/OIA - MR. ELLIS (SUBS)

----- 043905

R 051616Z FEB 75

FM SECSTATE WASHDC

TO AMEMBASSY LONDON

LIMITED OFFICIAL USE STATE 026141

E.O. 11652:N/A

TAGS:EINV, UK

SUBJECT:HMG TALKING PAPER ON THE 1975 INDUSTRY BILL

REF: SPIERS-CROWLEY TELECON OF FEB 4

1. BRITISH COMMERCIAL COUNSELOR SHARP CALLED AT DEPT ON FEB 3 TO DISCUSS INDUSTRY BILL APPROVED LAST FRIDAY (JAN 31). ALL OF THE POINTS MADE BY SHARP ARE CONTAINED IN TALKING PAPER PREPARED FOR USE IN BRIEFING FOREIGN GOVERNMENTS, COPY OF WHICH SHARP LEFT WITH US.

2. FOLLOWING IS TEXT OF TALKING PAPER

QUOTE THE INDUSTRY BILL 1975 HAS BEEN PUBLISHED TODAY 31 JANUARY FOLLOWING UP THE WHITE PAPER, THE REGENERATION OF LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 026141

BRITISH INDUSTRY (CMND 5710).

THE MAIN PROVISIONS OF THE BILL ARE:

A. NATIONAL ENTERPRISE BOARD: SET UP WITH RESPONSIBILITIES IN PARA 24 OF CMND 5710. THE BILL ALSO PROVIDES FOR POUNDS STERLING 1,000M FOR THE NEB, A FIRST TRANCHE OF POUNDS STERLING 700M, REMAINDER BY AFFIRMATIVE RESOLUTION OF THE HOUSE OF COMMONS.

B. PLANNING AGREEMENTS: THESE ARE TO BE ENTIRELY VOLUNTARY, THE ONLY STATUTORY PROVISION NEEDED IS THAT ENABLING GUARANTEES OF REGIONAL ASSISTANCE AT NOT LESS THAN THE CURRENT RATE FOR FIRMS CONCLUDING A PLANNING AGREEMENT (PARA 12 OF CMND 5710).

C. STATUTORY SYSTEM FOR DISCLOSING INFORMATION TO THE GOVERNMENT AND, SUBJECT TO SAFEGUARDS, TO TRADE UNION REPRESENTATIVES. THIS IS ENTIRELY SEPARATE FROM VOLUNTARY PLANNING AGREEMENT ARRANGEMENTS. IT WILL AFFECT CERTAIN MANUFACTURING COMPANIES ONLY, AND WILL BE CONFINED TO THEIR UK ACTIVITIES. COMPANIES CONCERNED WILL BE LISTED BEFORE PARLIAMENT AND THEIR ELIGIBILITY MUST BE APPROVED BY PARLIAMENT. ONCE LISTED, FIRMS MAY BE REQUIRED TO PROVIDE INFORMATION ABOUT THEIR PRESENT STATE AND FUTURE PLANS ON CERTAIN TOPICS (CLAUSE 21 (2): EMPLOYMENT, CAPITAL EXPENDITURE, ACQUISITION AND DISPOSAL OF FIXED ASSETS, OUTPUT, SALES, EXPORTS AND PRODUCTIVITY. THERE IS NO POWER TO ADD TO THIS LIST OF TOPICS, NOR TO SEEK INFORMATION ON PAST ACTIVITIES. THE GOVERNMENT WILL NORMALLY REQUIRE FIRMS TO PASS ON THIS INFORMATION TO TRADE UNIONS, UNLESS THE GOVERNMENT CONSIDERS THAT TO DO SO WOULD BE CONTRARY TO THE PUBLIC INTEREST. COMPANIES WOULD ALSO BE ABLE TO APPLY TO AN INDEPENDENT COMMITTEE TO RELEASE IT FROM THIS REQUIREMENT WHEN IT WOULD BE CONTRARY TO ITS OWN COMMERCIAL INTERESTS (SEE PARA 20 OF CMND 5710).

D. THE GOVERNMENT MAY PREVENT THE LOSS TO UNACCEPTABLE FOREIGN CONTROL OF KEY BRITISH COMPANIES IN MANUFACTURING INDUSTRY (CLAUSES 9-13). THE GOVERNMENT MAY STOP SUCH A TAKEOVER AND, IF NECESSARY, AND ONLY IF OTHER LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 026141

MEASURES ARE INAPPROPRIATE MAY TAKE THE COMPANY INTO PUBLIC OWNERSHIP (PARA 33 OF CMND 5710). ANY ACQUISITION WOULD ITSELF REQUIRE PARLIAMENTARY APPROVAL AND WOULD BE SUBJECT TO PARLIAMENTARY PROCEDURES TO CONSIDER THE AMOUNT OF COMPENSATION, GIVING THOSE AFFECTED FULL RIGHTS TO MAKE REPRESENTATIONS FOR COMPENSATION. INTEREST WILL BE PAID FOR THE TIME BETWEEN THE DATE OF VESTING SECURITIES OR ASSETS AND THE DATE OF PAYMENT OF COMPENSATION.

E. SOME AMENDMENTS TO THE INDUSTRY ACT 1972 WILL MAKE IT EASIER FOR THE GOVERNMENT TO ACQUIRE SHARES IN COMPANIES IN RETURN FOR ASSISTANCE.

POINTS TO MAKE.

A. POINTS (1) TO (V1) BELOW WHICH WERE MADE ABOUT THE WHITE PAPER REMAIN IMPORTANT.

1) THE MAIN PURPOSE OF BOTH THE PLANNING AGREEMENTS SYSTEM AND OF THE NEB IS TO RAISE THE QUANTITY AND QUALITY OF INVESTMENT IN MANUFACTURING INDUSTRY AND THUS TO STRENGTHEN THE BRITISH ECONOMY.

11) THE WHITE PAPER CONTAINS NO PROPOSALS FOR WIDESPREAD NATIONALISATION IN MANUFACTURING INDUSTRY.

111) ALTHOUGH THE NEB SHOULD, AS ONE OF ITS ROLES, ACQUIRE 100 PERCENT OWNERSHIP OF A NUMBER OF COMPANIES, IT IS INTENDED THAT ALL HOLDINGS SHOULD BE ACQUIRED BY AGREEMENT.

1V) ONE OF THE CRITERIA FOR ACQUISITION IS TO PREVENT COMPANIES "PASSING INTO UNACCEPTABLE FOREIGN CONTROL". YOU SHOULD STRESS "UNACCEPTABLE". THERE IS A GREAT DEAL OF FOREIGN ENTERPRISE ALREADY IN THE UK AND IT HAS BROUGHT BENEFIT, BUT CLEARLY THERE MAY BE SECTORS OF INDUSTRY WHERE IT WILL BE DESIRABLE TO RETAIN A BRITISH OWNERSHIP FOR STRATEGIC OR OTHER REASONS.

V) THE NEW PROPOSALS SHOULD INCREASE RATHER THAN DECREASE BRITAIN'S ATTRACTIVENESS TO OVERSEAS INVESTORS -- NO CHANGE IS BEING MADE IN THE REGIONAL INCENTIVES -- THE NEB WILL LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 STATE 026141

BE AVAILABLE AS AN ADDITIONAL SOURCE OF CAPITAL FOR WORTH-WHILE PROJECTS AND WILL BE ABLE TO PARTICIPATE IN JOINT VENTURES WITH PRIVATE SECTOR COMPANIES, INCLUDING FOREIGN OWNED COMPANIES. COMPANIES BROUGHT WITHIN THE PLANNING AGREEMENTS SYSTEM (AND THIS CAN INCLUDE MULTINATIONAL IF THEY ARE IN THE SELECTED SECTORS) WILL BE ABLE TO PLAN FOR THE FUTURE IN CLOSER COOPERATION WITH GOVERNMENT.

V1) OTHER COUNTRIES (NOTABLY FRANCE, BELGIUM, AND ITALY) HAVE ARRANGEMENTS SIMILAR TO THE PLANNING AGREEMENTS SYSTEM AND SEVERAL COUNTRIES ALSO HAVE STATE HOLDING COMPANIES AND/OR INVESTMENT BANKS, (E.G., ITALY, FRANCE, SWEDEN).

B. THE DISCUSSION IN THE WHITE PAPER OF THE OFFICIAL

TRUSTEE PROPOSALS (PARA 34 OF CMND 5710) HAS NOT RESULTED IN ANY STATUTORY PROVISIONS AND THE POSSIBLE GROUNDS FOR COMPULSORY ACQUISITION ARE THEREFORE REDUCED ACCORDINGLY.

C. PLANNING AGREEMENTS ARE AN ENTIRELY VOLUNTARY SYSTEM SEPARATE FROM THE STATUTORY INFORMATION DISCLOSURE SYSTEM. THE BILL THEREFORE ONLY REFERS TO PLANNING AGREEMENTS IN ONE CLAUSE (CLAUSE 41). SINCE THEY ARE VOLUNTARY THEY REQUIRE LITTLE STATUTORY PROVISION.

D. THE PROVISIONS FOR STATUTORY DISCLOSURE OF INFORMATION APPLY TO LISTED TOPICS WHICH CANNOT BE ADDED TO, COVER ONLY THE UK ACTIVITIES OF CERTAIN MANUFACTURING FIRMS, AND MAKE VERY FULL PROVISION TO ENSURE THAT NATIONAL INTERESTS AND THE FIRM'S COMMERCIAL INTEREST ARE NOT PREJUDICED. (IMPROPER DISCLOSURE WOULD BE A CRIMINAL OFFENSE.)

E. THE PROPOSAL TO ACQUIRE COMPANIES UNDER THE EXCEPTIONAL CIRCUMSTANCES OF LOSS TO UNACCEPTABLE (REPEAT UNACCEPTABLE) FOREIGN CONTROL IS THE ONLY PROVISION FOR COMPULSORY ACQUISITION IN THE BILL, COMPULSORY ACQUISITION IN THIS WAY IS A RESERVE POWER TO BE USED ONLY WHERE OTHER MEASURES ARE INAPPROPRIATE. ANY OTHER ACQUISITIONS WILL BE VOLUNTARY AND, IN PARTICULAR, THE NEB WILL HAVE NO POWERS OF COMPULSORY ACQUISITION.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 05 STATE 026141

F. WHEN THE GOVERNMENT ACQUIRES SHARES IN RETURN FOR ASSISTANCE, THIS IS ONLY BY AGREEMENT, AND IN RETURN FOR THE ASSISTANCE GIVEN. UNQUOTE

3. WILL APPRECIATE EMBASSY'S ASSESSMENT OF WHAT EFFECT, IF ANY, NEW BILL MAY HAVE ON EXISTING US INVESTMENT AND ON GENERAL CLIMATE FOR FOREIGN INVESTMENT IN UK. KISSINGER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INDUSTRIAL DEVELOPMENT, DOCUMENTS, TEXT, LEGISLATIVE BILLS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE026141
Document Source: CORE
Document Unique ID: 00
Drafter: JJCROWLEY:BAL
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750043-0078
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750269/aaaackkq.tel
Line Count: 208
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 SPIERS-CROWLEY
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 26 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 JUN 2003 by ShawDG>; APPROVED <03 NOV 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MG TALKING PAPER ON THE 1975 INDUSTRY BILL
TAGS: EINV, UK
To: LONDON
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006